

Message Text

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C O R R E C T E D C O P Y (TEXT PARA 4.)

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SUBJECT: IMPACT ON INDIAN STEEL INDUSTRY MEASURES TO REDUCE
THE US IMPORTS OF STEEL

REF: (A) STATE 1591, (B) STATE 2915

1. ON JAN 17. THE NORTH AMERICAN TRADE SUBCOMMITTEE
OF THE INDIAN ENGINEERING EXPORT PROMOTION COUNCIL (EEPC)
MET TO DISCUSS PROSPECTIVE MEASURES BY THE USG TO
DISCOURAGE IMPORTS OF FOREIGN STEEL INTO THE US. FOR THE
MEMENT, THIS MEANS PRIMARILY THE TRIGGER PRICE MECHANISM (REFS A
AND B) WHICH IS EXPECTED TO GO INTO EFFECT IN MID-FEBRUARY,
AND THE USITC RECOMMENDATION TO THE PRESIDENT FOR A
30 PERCENT TARIFF TO BE IMPOSED ON CERTAIN CATEGORIES OF STEEL
AND STEEL PRODUCTS. THE INDIAN STEEL MEN WERE VERY PESSIMISTIC
ABOUT THEIR CHANCES OF DEFENDING THEIR SMALL SHARE
OF THE US IMPORT MARKET AT THE UNIFORM FLOOR PRICES
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EXPECTABLE UNDER TPM. THEY ARE ALSO AFRAID THAT THE LOSS
OF GSP ADVANTAGE FOR SUCH PRODUCTS AS STEEL FASTENERS
WHICH THEY EXPECT AS A RESULT OF POSSIBLE PRESIDENTIAL
ACCEPTANCE OF USITC RECOMMENDATIONS WILL BE FATAL
TO FLEDGING EXPORTS TO THE U.S. THEY REQUESTED
CLARIFICATION OF SEVERAL POINTS AND MADE A STRONG
DEFENSE OF THEIR POSITION TO A CONSULATE OFFICER

INVITED TO FIRST HALF OF THE MEETING.

2. THE EEPC GROUPS TOGETHER STEEL FINISHERS AND FABRICATORS RATHER THAN THE INTEGRATED PLANTS WHICH PRODUCE BASIC STEEL. THUS AT THIS MEETING REPRESENTATIONS WERE MADE BY FIRMS PRODUCING STEEL TUBING, SIMPLE CASINGS, NUTS, AND BOLTS AND OTHER PRODUCTS IN WHICH HOWEVER PROCESSING AND TECHNOLOGY REPRESENT A RELATIVELY SMALL PROPORTION OF VALUE ADDED, MANY OF THESE PRODUCTS BEING CATEGORIZED IN THE U.S. SIMPLY AS STEEL. INDIAN BASIC IRON AND STEEL PRODUCERS, WHO ALSO EXPORT TO THE U.S., QUITE CLEARLY SHARE THE SAME CONCERNS AS EEPC MEMBERS, BUT THEY ARE ORGANIZED IN A SOMEWHAT DIFFERENT SECTOR, AND WERE NOT REPRESENTED AT THIS MEETING. THE PARTICIPANTS AT THE MEETING INDICATED THAT OF THE 32 STEEL PRODUCTS COMING UNDER THE TRIGGER PRICE MECHANISM (TPM), NINE FALL UNDER THE CATEGORY OF ENGINEERING GOODS IN INDIAN TERMINOLOGY AND THUS ARE OF IMMEDIATE INTEREST TO THEM.

3. APPROXIMATELY 40 PEOPLE WERE PRESENT. ALL CLEARLY HELD RESPONSIBLE POSITIONS IN PERHAPS 20 PUBLIC AND PRIVATE CORPORATE ENTITIES OF THE INDIAN STEEL INDUSTRY, WHICH IS CONCENTRATED IN THE CALCUTTA REGION. MR. B.P. BHARDWAJ, HEAD OF THE EEPC'S COMMITTEE ON TRADE WITH NORTH AMERICA, UNCLASSIFIED

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CHAIRMAN THE MEETING AND MR. K. RAMANUJAM, THE RELEVANT JOINT SECRETARY IN THE MINISTRY OF COMMERCE WAS ALSO PRESENT AND TOOK A PROMINENT ROLE.

4. ACTION ITEM: THE EEPC MADE SPECIFIC QUERIES TO USG ON THE RELATIONSHIP BETWEEN USITC RECOMMENDATIONS AND OTHER PROCEEDINGS LEADING UP TO PRESIDENTIAL RULING UNDER SECTION 203 OF TRADE ACT 64 ON THE ONE HAND, AND THE GSP BENEFITS NOW ENJOYED BY CERTAIN INDIAN PRODUCTS ON THE OTHER. THEIR QUESTIONS INCLUDED: 1) DO GSP ENTRY PRIVILEGES LAPSE WITH INITIATION OF PROCEEDINGS, AND/OR USITC RECOMMENDATION? 2) IF THE PRESIDENT ACCEPTS THE USITC RECOMMENDATION FOR A 30 PERCENT TARIFF ON CERTAIN PRODUCTS, WILL GSP PRIVILEGES LAPSE FOR OTHERWISE COVERED INDIAN PRODUCTS? 3) IS IT POSSIBLE THAT A PRESIDENTIAL RULING DIFFERENT FROM THE USITC RECOMMENDATION COULD PRESERVE ABSOLUTE GSP EXEMPTION FOR COVERED INDIAN PRODUCTS, OR THAT RELATIVE ADVANTAGE IN COMPARISON WITH NON-GSP EXPORTERS IN THE US MARKET COULD BE PRESERVED? 4) IF SO, WHAT STEPS SHOULD INDIAN PRODUCERS, WHO COULD BE CRUCIALLY AFFECTED, TAKE TO DEFEND THEIR

INTRESTES AND MAKE THEIR CASE TO THE WHITE HOUSE.
WE WOULD APPRECIATE ANSWERS BY CABLE TO THESE
QUESTIONS FROM WASHINGTON FOR TRANSMISSION TO THE
EEPC AS SOON AS POSSIBLE, AS WELL AS ANY FUTHER
RELEVANT BACKGROUND INFORMATION ON THIS CLEARLY
VERY TECHNICAL AND SPECIALIZED SUBJECT.

5. INDIAN PRODUCERS OF THOSE SEMI-FABRICATED STEELS
WHICH WILL FALL UNDER THE TRIGGER PRICE MECHANISMS,
DO NOT BELIEVE THEY WILL BE ABLE TO MAINTAIN THEIR
SMALL U.S. MARKET SHARES WHEN WHAT WILL IN EFFECT
BE A FLOOR PRICE FORCES THEM TO RAISE PRICES BY ABOUT
10 PERCENT, AND TO COMPETE ON EQUAL PRICE TERMS WITH
THE JAPANESE, WHO HAVE INFINITELY WIDER MARKET REPUTATION,
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CONTACTS, AND DISTRIBUTION NETWORK AMONG U.S. BUYERS.

6. ALL PARTICIPANTS AT THE MEETING EXPRESSED GREAT
CONCERN AT THE EFFECT UPON THEIR DEVELOPING INDUSTRY
OF WHAT THEY SEE AS A DRIVE TO REDUCE FOREIGN ACCESS
TO THE AMERICAN STEEL MARKET. THEY BELIEVE THAT THE
EFFECTS WILL FALL PARTICULARLY DAMAGING UPON THEM,
ALTHOUGH, IN CONTRAST TO JAPAN THEIR PENETRATION OF
THE U.S. MARKET IS BOTH SLIGHT AND RECENT. THEY
CONTENDED THAT WHAT THEY CHARACTERIZE AS
MINISCULE INDIAN EXPORTS TO THE U.S. CANNOT BE
CONSIDERED TO BE INJURIOUS TO THE AMERICAN STEEL
INDUSTRY, BUT STRESSED THE IMPORTANCE OF THESE
SALES TO THEIR OWN OPERATIONS WHICH ARE GENERALLY
WELL BELOW PLANT CAPACITY. IN PRODUCT AFTER PRODUCT
THEY ENUMERATED INDIAN SHARES OF THE U.S. MARKET
WHICH ARE FACTIONS OF ONE PERCENT. IN EACH, HOWEVER,
THEY ASSERTED, THAT THEIR US SALES WERE ACHIEVED
AT MAJOR COSTS IN BOTH MARKET DEVELOPMENT AND ACTUAL
PRODUCT ADAPTIONS TO MEET US STANDARDS AND
SPECIFICATIONS. THE PURPOSE OF THE GSP IN SUPPORTING
FRAGILE LDC INDUSTRY WERE FREQUENTLY MENTIONED, AS
WELL AS THE CONTRASTING AND INJURIOUS EFFECTS OF THE
PRESENT FEARED CHANGES. IT WAS ALSO STATED THAT THE
EFFECTS OF USG ACTIONS WILL NOT BE LIMITED TO INDIAN
SALES TO THE U.S., SINCE THE REDUCED ACCESS FOR FOREIGN
STEEL IN OUR COUNTRY WILL DRIVE ADDITIONAL AND POTENTIALLY
OVERWHELMING JAPANESE AND EUROPEAN COMPETITION INTO
OTHER INDIAN MARKETS SUCH AS THE PERSIAN GULF.
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